

# STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION  
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR  
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Juneau, AK 99801-1795  
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December 27, 1999

MCS 99.075

Eric P. Yould  
Executive Director  
ARECA  
703 W. Tudor Road #200  
Anchorage, AK 99503-6650

Post-It™ brand fax transmittal memo 7671		# of pages 4
To JOHN PAVITT	From STONE	
Co.	Co.	
Dept.	Phone #	
Fax #	Fax #	


Dear Mr. Yould:

I apologize for my tardy response to your October letter. The Alaska Department of Environmental Conservation (DEC) is fully aware of and shares the concerns rural utilities have with Best Available Control Technology (BACT) reviews for new air pollution sources and the cost impacts of certain air pollution control equipment. As you are by now aware, the very issues you raised in your letter are the focus of some quite serious disagreements between DEC and the US Environmental Protection Agency (EPA).

The issue of how pollution control costs factor into the BACT decision has come to the center of debate on the air permits for Cominco's Red Dog Mine and for the City of Nome. DEC has recently taken the position that the Low NOx technology, not selective catalytic reduction (SCR), is BACT for diesel engines. By issuing the Cominco permit, DEC directly opposed EPA's position. In fact, EPA issued an order to require DEC to mandate the SCR technology for Cominco's new generator. We find EPA's intervention unacceptable in an approved state program and continue to believe that the cost burden of the SCR technology is too great for the incremental amount of pollution control it provides. Under the Clean Air Act, cost is one of three criteria to be considered by the review agency (in this case, DEC). The excessive cost that SCR technology would impose upon rural utilities is an important factor in our decision that the SCR technology does not represent BACT.

As recent events demonstrate, if DEC is going to successfully dissuade EPA from mandating specific technologies regardless of the cost impacts, we need the assistance of rural communities. When it comes to specific permits, we will need specific costs and rate impact information in order to defend our decisions as reasonable. ARECA's assistance both in collecting detailed facts and supporting Alaska's right to make these permit decisions without EPA micromanagement would be appreciated.

Sincerely,

  
Michele Brown  
Commissioner

cc: Tom Chapple, Director, DEC, AWQ

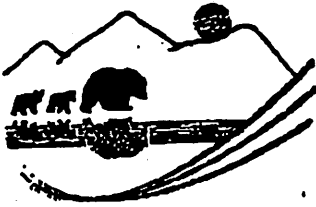
Healthy People, Healthy Environment

COM 60-001

01/05/00 WED 13:40 FAX 907 465 5274  
12/28/99 15:41 FAX 289 3098

DEC AWQ  
Director of AWQ

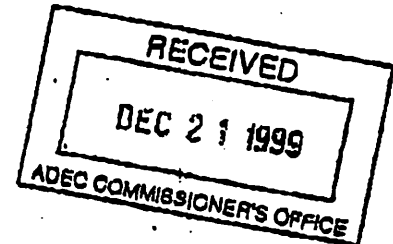
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# ARECA

Alaska's Electric Association  
"Electric Service for 556,000 Alaskans"

December 17, 1999



Michele Brown, Commissioner  
Alaska Department of Environmental Conservation  
410 Willoughby Avenue, Suite 105  
Juneau, Alaska 99801-1795

Dear Commissioner Brown:

The Alaska Rural Electric Cooperative Association (ARECA) understands that the Alaska Department of Environmental Conservation (ADEC) issued a construction permit for the Red Dog Mine on December 10, 1999. In the permit, ADEC selected low-NOX burners as the Best Available Control Technology (BACT) for NOX control for a small diesel turbine.

We understand that on the same day, EPA ordered the permit invalid. EPA did not agree with ADEC's selection of low-NOX burners as BACT, and instead wanted Red Dog to use selective catalytic reduction for NOX control.

We applaud your conviction that the State has total authority for the Prevention of Significant Deterioration Program for the State of Alaska and that you have issued this permit based on the State's selection of appropriate control technology. We support the effort ADEC will make to fully implement the responsibilities associated with having primacy in a Federal program. If we can be of assistance, please do not hesitate to call.

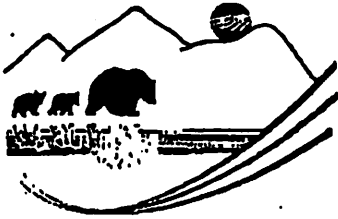
Sincerely,

Eric Yould  
Executive Director

To: Tom Chapple  
Reply Direct  
For Comm/Dog signature  
Due date: 1-5-00  
MCS #: 99086 CTS #:

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COM 60-002



# ARECA

## Alaska's Electric Association

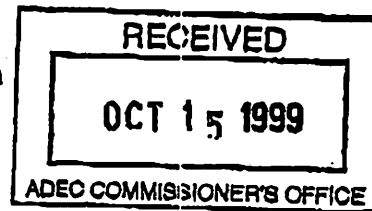
*"Electric Service for 556,000 Alaskans"*

# FAXED

10/12/99

October 9 1999

Michele Brown, Commissioner  
Alaska Department of Environmental Conservation  
410 Willoughby Avenue, Suite 105  
Juneau, AK 99801-1795



Dear Commissioner:

The Alaska Rural Electric Cooperative Association (ARECA) requests your assistance with a problem that may ultimately affect all our electric utility members and their consumers across Alaska, particularly in small rural villages. We request that you establish that the ADEC Air Quality group must consider local utility rates, and any increase due to BACT imposition, as a prime part of the evaluation for rural electric generation air pollution permits in Alaska.

As a recent example, the ADEC Air Quality group was promoting Selective Catalytic Reduction (SCR) as a reasonable means of reducing nitrogen oxides (NOx) emissions from Diesel Electric Generation plants. Three ARECA member cooperatives Nushagak, Nome and Kotzebue interacted with ADEC on air permit matters, either in relation to new construction or past equipment permitting. In each case ADEC required a BACT analysis from the facility to determine emission controls that might be required for each generation unit. Typically, as part of the ADEC required analysis, SCR is stated as one of the options that must be considered for NOx control. We understand that SCR is known to cause NOx emission reduction, but it's an option that is associated with a higher initial price and with increased operating expenses.

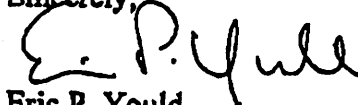
ADEC staff indicated to the Nushagak Electric Cooperative that emission control costs as high as \$4,500 per ton for NOx reduction were considered within "an acceptable range" when considering applicable BACT technology. We were not aware that \$ 4,500 per ton had been established as an appropriate BACT value for Alaska's air quality concerns. The result, for smaller electrical generation facilities such as is found at Nushagak, would be a 25% increase in operating expenses, resulting in a similar rate increase to the consumer. The Nome Joint Utility System evaluated SCR and determined their overall rate increase would have to be approximately 34% if SCR were required on their replacement diesel generators. As a variation of treatment/control under "Best Available Control Technology" (BACT) analysis, NOx control using SCR would have caused disastrous rate increases in rural Alaska.

OCT 9 letter cont'd

With the cost of electricity in rural Alaska already averaging 4.5 cents/kwh, the highest in the nation; we cannot agree that such increases are acceptable. At a time when many budgets are being cut, we do not believe that Governor Knowles wishes to further impact utility rates to our rural communities in such a way. Even Power Cost Equalization only reduces the average cost of rural electricity down to a rate that is approximately three times the national average.

We request that ADEC immediately adopt a policy, which might also be promulgated as regulation, clearly requiring that an evaluation of utility rates and increases be included in the overall analysis for air quality concerns and BACT determinations. ARECA is willing to work with ADEC and EPA to initiate an appropriate policy for dealing with Alaska's rural air quality matters. We hope that ADEC is willing to work with ARECA members to reach a better understanding of the reasonable electrical generation expenses that may be needed to address air quality in any area.

Sincerely,



Eric P. Yould  
Executive Director

cc: ARECA members  
Tom Chapple, ADEC - Juneau